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SUBJECT: ZAGREB DAILY REPORT: DECEMBER 31, 2009

11. (U) GoC DECIDES PROVIDE CROATIAN VERSION OF EU acquis communautaire TO INTERESTED NEIGHBORS: The GoC decided on December 30 to make available the Croatian translation of the European Union's acquis communautaire to interested countries in Southeast Europe. (SEE SEPTTEL FOR DETAILS).

12. (U) ANOTHER CORRUPTION CASE: CROATIAN POSTAL BANK (HPB) MANAGERS ARRESTED IN ZAGREB: Croatian authorities detained six individuals, including two former members of the management board for the State-owned Croatian Postal Bank (HPB) December 30 on charges related to the misappropriation of up to \$250 million from the HPB. A seventh suspect, the former head of HPB, is expected to be detained when (or if) he returns from a ski vacation in Austria. Authorities believe the suspects received or arranged huge loans from HPB outside of proper procedures. The Croatian National Bank (HNB) issued a statement in reaction to the arrests, partially absolving the current management from suspicions that the poor business practices of the former managers still continue at HPB. According to a HPB statement, after the detained managers left the bank last summer, the current management board 'cleaned up' the loan portfolio, introduced greater transparent loan-granting procedures and improved cost controls.

13. (U) BANDIC, JOSIPOVIC SQUARE OFF IN TV DEBATE; EARLY POLLS FAVOR JOSIPOVIC: Croats were treated December 30 to back-to-back TV debates - on public broadcaster HRT1 and on private NovaTV - between Social Democratic Party (SDP) candidate Ivo Josipovic and independent candidate Milan Bandic. While the debates seem to be judged more or less as a draw, the starkly differing styles of the two candidates were on full display, which Bandic summoned up by saying that Josipovic's experience comes "from a book and mine from life." Josipovic, true to form, lectured Bandic on several occasions regarding the legal specifics of the role of the president and argued Bandic was incapable - insinuating that Bandic is corrupt- of fighting corruption. Bandic, for his part, emphasized his faith and hard work for ordinary citizens, while attacking Josipovic for being a pawn of the SDP leadership. Meanwhile, Promocija-Plus conducted a telephone poll of 1500 respondents after the first election round and gave Josipovic a solid lead. Josipovic received the support of 53.5% of the respondents, while Bandic received only 33.7% support with roughly 13% still undecided.

14. (U) VETERANS GROUPS SPLITTING VOTE; BANDIC SECURES VOTE OF BOSNIAN CROATS: Veterans' organizations - a sizable constituency in country with over 400,000 registered vets -- are generally backing independent candidate Milan Bandic, with several associations in Zagreb and Vukovar expressing their support of Bandic. Josipovic's campaign, however, announced endorsement of his candidacy by a group of 17 prominent war veterans, including (somewhat incongruously) ICTY indictee generals Rahim Ademijand Tihomir Blaskic. Meanwhile, Bandic, as expected gained the public support of the main Croatian parties in Bosnia-Herzegovina, the Croatian Democratic Union of Bosnia-Herzegovina (HDZ-BiH) and the HDZ 11990. (NOTE: The ruling HDZ in Croatia publicly stated it

will not support either candidate.) In its press release, the HDZ 1990 said Bandic's platform clearly stated his positions on Bosnia-Herzegovina and the position of Bosnian Croats. explaining that "he publicly pushed for ensuring their institutional equality, which we consider significant in light of the necessary constitutional reforms."

WALKER